

VIII. FORM 990, SCHEDULE H, HOSPITALS

A. Overview of Schedule H, Hospitals

Form 990, Schedule H, Hospitals, will be used beginning with 2008 tax years to report information by an organization that operates one or more facilities that are licensed, registered, or similarly recognized by a state as a hospital. For years before 2008, the Form 990 did not provide for the reporting of community benefit activities or request important information regarding how nonprofit hospitals serve the public consistent with the tax exemption. Beginning with 2008 tax years, organizations operating one or more hospitals are required to report community benefit and other information pertinent to exempt status on Schedule H.

Schedule H includes six parts: Part I, Charity Care and Certain Other Community Benefits at Cost; Part II, Community Building Activities; Part III, Bad Debt, Medicare, & Collection Practices; Part IV, Management Companies and Joint Ventures; Part V, Facility Information; and Part VI, Supplemental Information. A copy of Schedule H is appended hereto as Appendix C.

An organization must file a single Schedule H that aggregates information for the tax year from the following:

1. Hospitals directly operated by the organization.
2. Hospitals operated by disregarded entities of which the organization is the sole member.
3. Other facilities or programs of the organization or any of the entities described in 1 or 2, even if provided by a facility that is not a hospital or if provided separately from the hospital's license.
4. Hospitals operated by any joint venture taxed as a partnership, to the extent of the organization's proportionate share of the joint venture.

Although information from all of the above sources is aggregated for purposes of Schedule H, the organization is required to list in Part V, Facility Information, each of its facilities that is required to be licensed, registered, or similarly recognized as a health care facility under state law, whether operated directly by the organization or indirectly through a disregarded entity or joint venture taxed as a partnership. In addition, the organization must report in Part VI summary information describing the number of other types of facilities for which it reports information on Schedule H (e.g., 2 rehabilitation clinics, 4 diagnostic centers).

B. Description of Schedule H, Parts I through VI

The following summarizes certain important information required to be reported on Schedule H:

- Part I, Charity Care and Certain Other Community Benefits at Cost (Optional for 2008)
 - Requires reporting of charity care policies, the availability of community benefit reports, and the cost of charity care and other community benefit programs
 - Eight separate categories of community benefit are reportable in Part I: charity care at cost, unreimbursed Medicaid, unreimbursed other means-tested government programs, community health improvement services and community benefit operations, health professions education and training, subsidized health services, research, and cash and in kind contributions to community groups
- Part II, Community Building Activities (Optional for 2008)
 - Provides for reporting the cost of various kinds of community building activities, including physical improvements and housing, economic development, community support, environmental improvements, community health improvement advocacy, coalition building, workforce development, and leadership development and training for community members
- Part III, Bad Debt, Medicare, & Collection Practices (Optional for 2008)
 - Requires reporting of bad debt expense and Medicare shortfalls at cost, and other information relating to such items
 - Medicare shortfall reporting in Part III is limited to expenses reportable on Medicare cost reports, although other revenue and expense information for other Medicare programs is to be reported in Part VI
 - Also requests certain information regarding the organization's debt collection practices
- Part IV, Management Companies and Joint Ventures (Optional for 2008)
 - Requires information regarding certain joint ventures and management companies in which the organization's officers, directors, trustees, key employees, and physicians have an aggregate ownership percentage exceeding 10% of such entity
- Part V, Facility Information
 - The organization must separately list each facility that is licensed, registered, or similarly recognized by a state as a health care facility (hospital or otherwise) (Required for 2008)
 - The organization must provide a narrative description of other facilities for which items are otherwise reported on the Schedule H (Optional for 2008)
- Part VI, Supplemental Information (Optional for 2008)
 - Requires information pertinent to determining how the organization is serving its communities, including community needs assessments, education of patients about eligibility for charity care and government assistance programs, relationships with others in an affiliated system, and descriptions that supplement responses to the other parts of the schedule

C. Transition Relief

Schedule H is phased in beginning in 2008. For 2008 tax years, only Part V, Facility Information, is required to be completed so that basic identifying information regarding the organization's facilities is collected. All other parts of Schedule H are optional for 2008. The entire Schedule H must be completed for tax years beginning in 2009.

D. Promoting Uniform Reporting through Schedule H

As the study demonstrates, the reporting of community benefit by organizations operating nonprofit hospitals has varied widely, both as to types of programs and expenditures classified as community benefit and the measurement of community benefits. Schedule H was designed to provide uniformity regarding the types and amounts of programs and expenditures reported as community benefit by nonprofit hospitals. It does so by providing clear standards regarding the types of programs and expenditures the filing organization is to report as community benefit in Part I, how to measure community benefit expenditures (by cost rather than by charges), and the treatment of two of the most significant areas of disparity reported in the study (bad debt and Medicare shortfalls). Hospitals filing Schedule H are required to use the most accurate costing method available to them to report the cost of community benefit on Schedule H.

Schedule H also provides organizations the opportunity to explain what amounts of bad debt expense, Medicare shortfalls, and community building activities it believes should be treated as community benefit even though the schedule does not permit it to treat them as community benefit at this time. Because not all aspects of community benefit are capable of quantitative measure, Part VI of the schedule requires the organization to provide certain information regarding non-quantifiable aspects of community benefit, and allows the organization to supplement the required information with other information it considers relevant to explaining how it benefits the communities it serves through the promotion of health.

Much of the information requested in the Hospital Study Questionnaire is included in Schedule H. The following describes which portions of Part II – Operations, of the Questionnaire are included in the Schedule H.

- Question 1 (type of hospital) – incorporated in Part V, the list of facilities, where the organization is to report the type of each facility that is licensed, registered, or similarly recognized as a health care facility by a state.
- Questions 2 through 8 (patients) – although similar information was included in the Schedule H discussion draft released in June 2007 (e.g., revenue information for each type of insurance or government

- Questions 9 through 14 (emergency room) – portions incorporated in Part V by indicating whether the facility has an emergency room that is open at all times or at specified times.
- Questions 15 through 18 (board of directors) – portions incorporated in Part VI, question 6 regarding a description of how the community board furthers the organization's exempt purposes; also, Part VI of the Form 990's core form contains a governance section required to be completed by all organizations, including those operating hospitals.
- Questions 19 and 20 (medical staff privileges) - portions incorporated in Part VI, question 6 regarding a description of how the organization's open medical staff furthers the organization's exempt purposes.
- Questions 21 through 29 (medical research) – cost of medical research that constitutes community benefit is to be reported in Part I, line 7i.
- Questions 30 through 33 (professional medical education and training) – cost of health professions education that constitutes community benefit is to be reported in Part I, line 7f.
- Questions 34 through 42 (uncompensated care)
 - Questions regarding charity care policies, and the cost of charity care, Medicaid, and other means-tested government programs, were incorporated in Part I of the schedule.
 - Questions regarding bad debt and Medicare shortfalls were incorporated in Part III of the schedule, which requires reporting at cost.
- Questions 43 through 56 (billing and collection practices) – questions regarding collection practices were incorporated in Part III of the schedule.
- Questions 57 through 72 (community programs)
 - Questions regarding medical screening programs, immunization programs, educational programs for the community, and newsletters or publications are contained in Part I, line 7e regarding treatment of such items as community health improvement services and community benefit operations.
 - Questions regarding unmet health care needs of the community and improving access to health care are incorporated in Part VI, question 2 (describe how the organization assesses the health care needs of the communities it serves), question 3 (describe how the organization informs and educates persons about eligibility for assistance under public programs or charity care), question 4 (describe the communities served by the organization, including geographic and demographic constituents), and question 6 (provide other information regarding how the

organization furthers its exempt purposes), as well as Part I, line 7e (establishing community need for programs reported as community health improvement services and community benefit operations, and improving access to health services).